

Message Text

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PAGE 01 TOKYO 18240 240743Z

21

ACTION EA-09

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E.O. 11652: N/A

TAGS: EAID JA KS

SUBJ: JAPANESE AID TO KOREA: TOKYO WORKING LEVEL TALKS; IIP
REPORT ON KOREAN DEBTS

REF: A) SEOUL 9647; B) TOKYO 15746; C) SEOUL 8275

1. SUMMARY: MOST RECENT JAPAN-ROK WORKING LEVEL AID TALKS IN TOKYO DID NOT RESULT IN FIRM PROMISES BY GOJ, BUT FONOFF REP ANTICIPATES GOJ WILL EVENTUALLY PROMISE ABOUT 80 MILLION DOLLARS AS JFY 75 ODA TO KOREA. IN ADDITION, FONOFF REP ANTICIPATES FAVORABLE DECISION ON YOSU PETROCHEMICAL PROJECT WILL BE MADE SOON. RE IIP REPORT, FONOFF SAYS GOJ HAS ENOUGH INFO ON KOREAN ECONOMY AND DOES NOT BELIEVE ROK IS FACING FINANCIAL CRISIS. END SUMMARY.

2. ON DEC 23 EMBOFF REVIEWED WITH FONOFF REP (SEZAKI, DEPUTY DIR, FIRST ECONOMIC COOPERATION DIV) WORKING LEVEL AID TALKS HELD IN TOKYO LAST WEEK ON OCCASION OF VISIT TO JAPAN OF ROK DEPUTY PM NAM. TALKS WERE HEADED ON KOREAN SIDE BY VICE MINISTER LEE OF ECONOMIC PLANNING BOARD AND ON JAPANESE SIDE BY DIR-GEN KIKUCHI OF FONOFF ECONOMIC COOPERATION BUREAU. SEZAKI PROVIDED FOLLOWING INFO:

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PAGE 02 TOKYO 18240 240743Z

3. GOJ WAS UNABLE AT TALKS TO MAKE FINAL REPLIES TO

EARLIER ROK REQUESTS (REFS B AND C) BECAUSE GOJ IS STILL IN PROCESS OF REACHING AGREEMENT WITHIN ITSELF. FONOFF HAD INITIALLY PROPOSED TO OTHER MINISTRIES TOTAL OF ABOUT 91 MILLION DOLLARS (ABOUT 28.2 BILLION YEN, SAID SEZAKI) IN NEW ODA COMMITMENTS FOR JFY 1975 AS FOLLOWS: AGRICULTURAL DEVELOPMENT, 16.4 BILLION YEN; RAILWAY DOUBLE TRACKING, 4.3 BILLION YEN; AND, TELECOMMUNICATIONS SYSTEM EXPANSION, 6.6 BILLION YEN. THIS WOULD COMPARE TO 1974'S NEW ODA COMMITMENTS OF SOME 80 MILLION DOLS (23.4 BILLION YEN). HOWEVER, FINANCE MINISTRY IS ARGUING THAT 1975 ODA COMMITMENTS SHOULD BE SLIGHTLY LESS THAN 1974'S, ON ORDER OF 70 MILLION DOLS, AND ECONOMIC PLANNING AGENCY SUPPORTS MOF ON THIS POINT. ON OTHER HAND, MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY IS ARGUING FOR 1975 COMMITMENTS OF BETWEEN 80 AND 90 MILLION DOLS EQUIVALENT. WITH THIS INTRA-GOJ DISPUTE STILL UNRESOLVED, GOJ WAS ABLE TO TELL ROK AT RECENT TALKS ONLY THAT 1975 COMMITMENTS WOULD BE ABOUT SAME AS LAST YEAR'S.

4. LEE WAS SOMEWHAT DISSATISFIED ON HEARING THIS NEWS INASMUCH AS HE HAD REQUESTED DURING OCTOBER TALKS IN SEOUL THAT GOJ PROVIDE AROUND 100 MILLION DOLS. HE REQUESTED GOJ RECONSIDER ITS POSITION. HOWEVER, SAID SEZAKI, IN CONSIDERING ODA LEVELS GOJ MUST ALSO CONSIDER RISING LEVEL OF JAPANESE EXIM/CITY BANK CREDITS ON COMMERCIAL TERMS BEING COMMITTED TO KOREA. SUCH CREDITS AMOUNTED TO ABOUT 170 MILLION DOLS (ON BASIS OF EXPORT LICENSES, NOT DISBURSEMENTS) IN 1974 AND 230 MILLION DOLS IN 1975 (INCLUDING FUNDS FOR POHAN STEEL MILL EXPANSION), AND WILL BE QTE MUCH HIGHER UNQTE IN 1976 AS FAVORABLE DECISION RE JAPANESE FINANCING FOR YOSU PETROCHEMICAL PROJECT, INVOLVING ABOUT 300 MILLION DOLS, IS EXPECTED TO BE MADE IN JANUARY. CONSIDERING JAPAN'S ODA TOGETHER WITH THESE OTHER FINANCIAL FLOWS, AMOUNT OF JAPANESE CAPITAL SUPPORT TO ROK IS INCREASING SUBSTANTIALLY. UNDER THESE CIRCUMSTANCES, IT IS NOT POSSIBLE FOR JAPAN TO INCREASE ITS ODA TO KOREA, SEZAKI SAID; IN EFFECT, SUCH AN INCREASE WOULD BE AT EXPENSE OF LIMITED OFFICIAL USE

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PAGE 03 TOKYO 18240 240743Z

OTHER POORER LDC'S. IN FACT, WERE IT NOT FOR KOREA'S PROXIMITY AND GEO-POLITICAL IMPORTANCE TO JAPAN, SEZAKI SAID, JAPAN'S FINANCIAL FLOWS TO THAT COUNTRY WOULD PROBABLY BE ABOUT HALF CURRENT LEVELS. AND, EVEN THOUGH TOTAL FLOWS WILL INCREASE, ODA IS LIKELY TO DECREASE IN FUTURE AS RESULT OF ROK'S RELATIVELY HIGH PER CAPITA INCOME. SEZAKI ANTICIPATES THAT AT NEXT ROUND OF WORKING LEVEL AID TALKS, SCHEDULED FOR JAN 20 AND 21, GOJ

WILL INFORM ROK THAT 1975 ODA COMMITMENTS WILL BE ABOUT
80 MILLION DOLS.

5. SEZAKI SAID IIP REPORT ON STATE OF KOREAN ECONOMY
(REF A) WAS DISCUSSED QTE A LITTLE UNQTE AT TALKS: LEE
STRONGLY DENIED ACCURACY OF REPORT'S ALLEGATIONS. FOR
ITS PART, GOJ HAS AS MUCH INFORMATION AS IT NEEDS ON
KOREAN ECONOMY AND DOES NOT BELIEVE ROK IS FACING
FINANCIAL CRISIS.

6. FINALLY, SEZAKI RENEWED HIS REQUEST (TOKYO 16793)
FOR ANY INFO ON PLANNED USG AID TO KOREA DURING USG FY'S 76 AND
77. ACTION REQUESTED: DEPT PROVIDE ANY INFO WE COULD
PASS ON TO FONOFF.
HODGSON

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